

## **EXHIBIT C**

**PEMBROKE SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

**PEMBROKE SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2023**

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**PEMBROKE SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
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**APPENDIX**

Corrective Action Plan – Pembroke School District



## PLODZIK & SANDERSON

*Professional Association/Certified Public Accountants*

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### ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Board  
Pembroke School District  
Pembroke, New Hampshire

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Pembroke School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pembroke School District, as of June 30, 2023, the respective changes in financial position, and the respective budgetary comparison for the major general, major grants and major food service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Pembroke School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 2-D to the financial statements, in the year ending June 30, 2023, the School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

##### ***Responsibilities of Management for the Financial Statements***

The Pembroke School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pembroke School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Pembroke School District  
Independent Auditor's Report**

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pembroke School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pembroke School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions - Pensions
- Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pembroke School District's basic financial statements. The individual and combining fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

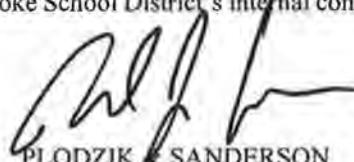
**Pembroke School District  
Independent Auditor's Report**

The individual and combining fund schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and combining fund schedules and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2024 on our consideration of the Pembroke School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pembroke School District's internal control over financial reporting and compliance.

July 30, 2024  
Concord, New Hampshire



PLODZIK & SANDERSON  
Professional Association

***BASIC FINANCIAL STATEMENTS***

**EXHIBITA**  
**PEMBROKE SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2023*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,703,348
Intergovernmental receivable	1,907,323
Inventory	35,643
Capital assets, not being depreciated	1,278,200
Capital assets, net of accumulated depreciation	14,605,964
Total assets	<u>19,530,478</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	4,962,362
Amounts related to other postemployment benefits	355,929
Total deferred outflows of resources	<u>5,318,291</u>
<b>LIABILITIES</b>	
Accounts payable	127,240
Accrued salaries and benefits	784,047
Intergovernmental payable	319,340
Accrued interest payable	11,392
Noncurrent obligations:	
Due within one year	410,763
Due in more than one year	30,241,015
Total liabilities	<u>31,893,797</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts related to pensions	435,217
Amounts related to other postemployment benefits	515,830
Total deferred inflows of resources	<u>951,047</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,897,367
Restricted	465,643
Unrestricted	(19,359,085)
Total net position	<u>\$ (7,996,075)</u>

**EXHIBIT B**  
**PEMBROKE SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2023*

	Program Revenues			Net (Expense)	
	Charges for Services Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position	
<b>Governmental activities:</b>					
Instruction	\$ 11,092,116	\$ 6,414,886	\$ 1,074,218	\$ -	\$ (3,603,012)
<b>Support services:</b>					
Student	1,331,532	-	107,074	-	(1,224,458)
Instructional staff	533,107	-	50,387	-	(482,720)
General administration	111,277	-	39,156	-	(72,121)
Executive administration	760,463	-	-	-	(760,463)
School administration	1,754,413	-	5,279	-	(1,749,134)
Operation and maintenance of plant	2,466,431	-	1,853	-	(2,464,578)
Student transportation	1,130,332	-	47,764	-	(1,082,568)
Other	7,636,179	-	-	-	(7,636,179)
Noninstructional services	702,133	396,883	359,131	-	53,881
Interest on long-term debt	-	-	-	239,313	239,313
Facilities acquisition and construction	-	-	947,626	-	947,626
<b>Total governmental activities</b>	<b>\$ 27,517,983</b>	<b>\$ 6,811,769</b>	<b>\$ 2,632,488</b>	<b>\$ 239,313</b>	<b>(17,834,413)</b>
<b>General revenues:</b>					
School district assessment					12,504,794
Grants and contributions not restricted to specific programs					7,404,566
Interest					67,135
Miscellaneous					577,620
<b>Total general revenues</b>					<b>20,554,115</b>
Change in net position					2,719,702
Net position, beginning, as restated (See Note 16)					(10,715,777)
<b>Net position, ending</b>					<b>\$ (7,996,075)</b>

**EXHIBIT C-1**  
**PEMBROKE SCHOOL DISTRICT**  
*Governmental Funds*  
*Balance Sheet*  
*June 30, 2023*

	General	Food Service	Grants	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,469,802	\$ 15	\$ -	\$ 233,531	\$ 1,703,348
Intergovernmental receivables	1,581,804	168,084	157,435	-	1,907,323
Interfund receivables	154,100	264,228	1,019	-	419,347
Inventory	-	35,643	-	-	35,643
Prepaid items	411,809	-	-	-	411,809
<b>Total assets</b>	<b>\$ 3,617,515</b>	<b>\$ 467,970</b>	<b>\$ 158,454</b>	<b>\$ 233,531</b>	<b>\$ 4,477,470</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 115,109	\$ 8,796	\$ 3,335	\$ -	\$ 127,240
Accrued salaries and benefits	784,047	-	-	-	784,047
Intergovernmental payable	319,340	-	-	-	319,340
Interfund payable	265,247	-	154,100	-	419,347
<b>Total liabilities</b>	<b>1,483,743</b>	<b>8,796</b>	<b>157,435</b>	<b>-</b>	<b>1,649,974</b>
<b>FUND BALANCES</b>					
Nonspendable	411,809	36,843	-	-	448,652
Restricted	-	422,331	-	-	422,331
Committed	1,939,473	-	-	-	1,939,473
Assigned	39,961	-	1,019	233,531	274,511
Unassigned	(257,471)	-	-	-	(257,471)
<b>Total fund balances (deficit)</b>	<b>2,133,772</b>	<b>459,174</b>	<b>1,019</b>	<b>233,531</b>	<b>2,827,496</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,617,515</b>	<b>\$ 467,970</b>	<b>\$ 158,454</b>	<b>\$ 233,531</b>	<b>\$ 4,477,470</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-2**  
**PEMBROKE SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**June 30, 2023**

Total fund balances of governmental funds (Exhibit C-1)	\$ 2,827,496
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.	
Cost	\$ 30,491,002
Less accumulated depreciation	<u>(14,606,838)</u>
	15,884,164
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:	
Deferred outflows of resources related to pensions	\$ 4,962,362
Deferred inflows of resources related to pensions	(435,217)
Deferred outflows of resources related to OPEB	355,929
Deferred inflows of resources related to OPEB	<u>(515,830)</u>
	4,367,244
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.	
Receivables	\$ (419,347)
Payables	<u>419,347</u>
Interest on long-term debt is not accrued in governmental funds.	
Accrued interest payable	(11,392)
Repayment of long-term liabilities not due until subsequent year are recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements.	
	(411,809)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.	
Finance purchases	\$ 4,986,797
Compensated absences	1,002,208
Net pension liability	22,393,373
Other postemployment benefits	<u>2,269,400</u>
	(30,651,778)
Net position of governmental activities (Exhibit A)	<u><u>\$ (7,996,075)</u></u>

**EXHIBIT C-3**  
**PEMBROKE SCHOOL DISTRICT**  
**Governmental Funds**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*For the Fiscal Year Ended June 30, 2023*

	General	Food Service	Grants	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$ 12,504,794	\$ -	\$ -	\$ -	\$ 12,504,794
Other local	6,795,065	407,183	-	271,321	7,473,569
State	7,625,164	24,155	17,920	-	7,667,239
Federal	326,780	323,037	1,942,265	-	2,592,082
Total revenues	<u>27,251,803</u>	<u>754,375</u>	<u>1,960,185</u>	<u>271,321</u>	<u>30,237,684</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	12,536,462	-	761,046	255,886	13,553,394
Support services:					
Student	1,234,360	-	107,074	-	1,341,434
Instructional staff	481,473	-	50,387	-	531,860
General administration	72,121	-	39,156	-	111,277
Executive administration	760,463	-	-	-	760,463
School administration	1,587,089	-	5,279	-	1,592,368
Operation and maintenance of plant	1,473,129	-	1,853	-	1,474,982
Student transportation	1,082,568	-	47,764	-	1,130,332
Other	7,636,179	-	-	-	7,636,179
Noninstructional services	-	685,782	-	-	685,782
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Intergovernmental agency allocation	-	-	-	-	-
Facilities acquisition and construction	783,795	-	947,906	-	1,731,701
Total expenditures	<u>27,647,639</u>	<u>685,782</u>	<u>1,960,465</u>	<u>255,886</u>	<u>30,549,772</u>
Net change in fund balances	(395,836)	68,593	(280)	15,435	(312,088)
Fund balances, beginning	2,529,608	390,581	1,299	218,096	3,139,584
Fund balances, ending	<u>\$ 2,133,772</u>	<u>\$ 459,174</u>	<u>\$ 1,019</u>	<u>\$ 233,531</u>	<u>\$ 2,827,496</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-4**  
**PEMBROKE SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances - Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2023*

Net change in fund balances of total governmental funds (Exhibit C-3)	\$ (312,088)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:	
Capitalized capital outlay	\$ 1,141,409
Depreciation expense	<u>(909,494)</u>
	231,915
Prepaid debt consumes current financial resources of governmental funds, but reduces net position on the government-wide statements.	
Change in prepaid bond principal, current year	\$ (11,753)
Change in prepaid bond interest, current year	<u>8,248</u>
	(3,505)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal repayment of notes payable	503,224
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	
Decrease in accrued interest expense	\$ 3,797
Decrease in compensated absences payable	32,947
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	537,890
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>1,725,522</u>
	2,300,156
	<u><u>\$ 2,719,702</u></u>

**EXHIBIT D-1**  
**PEMBROKE SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$12,504,444	\$12,504,794	\$ 350
Other local	6,257,156	6,741,313	484,157
State	7,613,206	7,625,164	11,958
Federal	312,561	326,780	14,219
Total revenues	<u>26,687,367</u>	<u>27,198,051</u>	<u>510,684</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	12,667,128	12,435,116	232,012
Support services:			
Student	1,252,979	1,234,360	18,619
Instructional staff	430,793	354,251	76,542
General administration	88,111	72,121	15,990
Executive administration	760,463	760,463	-
School administration	1,521,949	1,587,089	(65,140)
Operation and maintenance of plant	1,432,358	1,443,796	(11,438)
Student transportation	799,924	1,058,049	(258,125)
Other	7,969,589	7,636,179	333,410
Facilities acquisition and construction	694,148	783,795	(89,647)
Total expenditures	<u>27,617,442</u>	<u>27,365,219</u>	<u>252,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(930,075)</u>	<u>(167,168)</u>	<u>762,907</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	30,000	51,020	21,020
Transfers out	(571,791)	(483,500)	88,291
Total other financing sources (uses)	<u>(541,791)</u>	<u>(432,480)</u>	<u>109,311</u>
Net change in fund balance	<u><u>\$ (1,471,866)</u></u>	<u><u>(599,648)</u></u>	<u><u>\$ 872,218</u></u>
Decrease in nonspendable fund balance		139,765	
Increase in committed fund balance		(33,500)	
Unassigned fund balance, beginning		235,912	
Unassigned fund deficit, ending	<u><u>\$ (257,471)</u></u>		

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT D-2**  
**PEMBROKE SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (GAAP Basis)*  
*Food Service Fund*  
*For the Fiscal Year Ended June 30, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local:			
Sales	\$335,000	\$ 396,883	\$ 61,883
Miscellaneous	8,004	10,300	2,296
State:			
Lunch reimbursement	1,000	10,563	9,563
State food service grant	-	13,592	13,592
Federal:			
Lunch reimbursement	206,523	218,805	12,282
Breakfast reimbursement	19,265	37,758	18,493
USDA commodities	30,577	50,297	19,720
Fresh fruits and vegetables program	1	16,177	16,176
Total revenues	<u>600,370</u>	<u>754,375</u>	<u>154,005</u>
<b>EXPENDITURES</b>			
Current:			
Noninstructional services	<u>688,661</u>	<u>685,782</u>	<u>2,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,291)</u>	<u>68,593</u>	<u>156,884</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>88,291</u>	<u>-</u>	<u>(88,291)</u>
Net change in fund balance	<u>\$ -</u>	<u>68,593</u>	<u>\$ 68,593</u>
Fund balance, beginning		<u>390,581</u>	
Fund balance, ending		<u>\$ 459,174</u>	

**EXHIBIT D-3**  
**PEMBROKE SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (GAAP Basis)*  
**Grants Fund**  
*For the Fiscal Year Ended June 30, 2023*

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
State	\$ -	\$ 17,920	\$ 17,920	\$ -
Federal	395,719	1,942,265	1,942,265	-
Total revenues	<u>395,719</u>	<u>1,960,185</u>	<u>1,960,185</u>	-
<b>EXPENDITURES</b>				
Current:				
Instruction	395,719	760,766	761,046	(280)
Support services:				
Student	-	107,074	107,074	-
Instructional staff	-	50,387	50,387	-
General administration	-	39,156	39,156	-
School administration	-	5,279	5,279	-
Operation and maintenance of plant	-	1,853	1,853	-
Student transportation	-	47,764	47,764	-
Facilities acquisition and construction	-	947,906	947,906	-
Total expenditures	<u>395,719</u>	<u>1,960,185</u>	<u>1,960,465</u>	<u>(280)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(280)</u>	<u>\$ 280</u>
Fund balance, beginning			1,299	
Fund balance, ending			<u>\$ 1,019</u>	

**PEMBROKE SCHOOL DISTRICT**  
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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Pembroke School District, in Pembroke, New Hampshire (the School District), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

**I-A Reporting Entity**

The Pembroke School District is a municipal corporation governed by an elected five-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by GASB Statement No. 14 (as amended). The School District has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

**I-B Government-wide and Fund Financial Statements**

**Government-wide Financial Statements** – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This Statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. As in the Statement of Net Position the School District has not recorded depreciation/amortization expense nor other postemployment benefit expense in this statement. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

**Fund Financial Statements** – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by function: instruction, support services, noninstructional, debt services or facilities acquisition and construction. Current expenditures are subclassified by object and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to notes. Capital outlay includes expenditures for equipment, and real property, or infrastructure.

**Other Financing Sources (Uses)** – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as "transfers in" by the receiving fund and as "transfers out" by the disbursing fund.

**I-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Measurement Focus and Basis of Accounting** – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of

**PEMBROKE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Financial Statement Presentation** – A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

**General Fund** – is the School District's primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the TRS Corbill Family Donation fund, fundraising fund, TRS Athletic Donation fund, Pembroke Academy General Donation fund, and expendable trust funds are consolidated in the general fund.

**Food Service Fund** – accounts for the operation of the School District's food service program.

**Grants Fund** – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

**Nonmajor Funds** – The School District also reports a nonmajor student activity fund.

***1-D Cash and Cash Equivalents***

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the State. Funds may be deposited in banks outside the State if such banks pledge and deliver to a third-party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-E Receivables***

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

***1-F Inventory***

Inventories are valued at cost (first-in, first-out) which approximates market. The School District's inventories include various items consisting of food service goods and supplies held for subsequent use. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method in the food service fund. Inventorial items are recorded as expenditures when consumed at the schools (the consumption method).

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***1-G Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

***1-H Capital Assets***

Capital assets are reported in the government-wide financial statements. Purchases or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015, are recorded at acquisition value. The School District has established a threshold of \$5,000 or more and an estimated useful life in excess of two years for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School District are depreciated using the straight-line method over the following estimated useful lives:

<b>Governmental activities:</b>	
Capital Asset Class:	Years
Land improvements	15 - 20
Buildings and building improvements	15 - 50
Furniture, fixtures, and equipment	5 - 20
Vehicles	6

***1-I Interfund Activities***

Interfund activity is reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2023.

***1-K Deferred Outflows/Inflows of Resources***

***Deferred outflows of resources***, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until that time. The School has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

**PEMBROKE SCHOOL DISTRICT**  
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*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The School has two types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

**I-L Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the School District utilizes the following classifications to categorize the financial transaction(s):

**Direct Placements** – financial transactions for the sale of bonds where the School District engages with a single buyer or limited number of buyers without a public offering.

**I-M Compensated Absences**

General leave for the School District includes vacation, sick, and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the School District's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the governmental fund and government-wide presentations.

**I-N Defined Benefit Pension Plan**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

**I-O Postemployment Benefits Other Than Pensions (OPEB)**

The School District maintains two separate other postemployment benefit plans, as follows:

**New Hampshire Retirement System Plan** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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**Single Employer Plan** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

**I-P Net Position/Fund Balances**

Government-wide statements – Equity is classified as net position and displayed in three components:

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of notes or other debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future period.

**Unrestricted Net Position** – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

**Fund Balance Classifications** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**Restricted** – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

**Unassigned** – The portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the School District's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**I-Q Use of Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, the useful lives of capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

**PEMBROKE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general, food service, and grants funds. However, the School Board has voted and accepted the federal grants awarded to the District through the year, so these amounts are reported as a final budget for the grants fund, which is also reported as a major fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2023, \$1,018,366 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$483,500 was appropriated to fund the School District's capital reserve funds.

**2-B Budgetary Reconciliation to GAAP Basis**

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants and food service funds. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:		
Per Exhibit D-1 (budgetary basis)		\$ 27,249,071
Adjustments:		
GASB Statement No. 54:		
To remove transfer from the blended expendable trust funds to the general fund	(51,020)	
Interest earnings related to the blended expendable trust funds	20,982	
Other local revenue of the blended funds	<u>32,770</u>	
Per Exhibit C-3 (GAAP Basis)	<u>\$ 27,251,803</u>	
Expenditures and other financing uses:		
Per Exhibit D-1 (budgetary basis)	\$ 27,848,719	
Adjustments:		
Basis differences:		
Encumbrances, beginning	231,819	
Encumbrances, ending	(23,172)	
GASB Statement No. 54:		
To remove transfer from the general fund to the blended expendable trust fund	(483,500)	
Other regular program expenditures of the blended funds	25,478	
Expenditures of the blended expendable trust funds	<u>48,295</u>	
Per Exhibit C-3 (GAAP basis)	<u>\$ 27,647,639</u>	

**PEMBROKE SCHOOL DISTRICT**  
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**2-C Deficit Unassigned Fund Balance**

The general fund had an unassigned fund balance deficit of \$257,471 at June 30, 2023. This deficit is a result of prepaid debt, and will be reversed in the subsequent period as the related nonspendable fund balance is reversed.

**2-D Accounting Change**

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The objective of this Statement is to better meet information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirement for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards of SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The School District has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 96 and have determined that none of the agreements have met the requirements of the pronouncement.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School District's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$1,703,348 and the bank balances totaled \$1,859,862. Petty cash totaled \$600.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2023, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, restricted grants, and expendable trust funds held by the Town of Pembroke Trustees of Trust Funds for the School District. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**NOTE 5 – PREPAID ITEMS**

Prepaid items at June 30, 2023, consisted of the following:

	General Fund
Principal on long-term debt	\$ 263,224
Interest on long-term debt	148,585
<b>Total</b>	<b>\$ 411,809</b>

**PEMBROKE SCHOOL DISTRICT**  
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**NOTE 15 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2023, consist of the following:

	General Fund	Food Service Fund	Grants Fund	Other Governmental Fund	Total Governmental Funds
<b>Nonspendable:</b>					
Prepaid	\$ 411,809	\$ -	\$ -	\$ -	\$ 411,809
Donations - Food Service	-	1,200	-	-	1,200
Inventory	-	35,643	-	-	35,643
Total nonspendable fund balance	<u>411,809</u>	<u>36,843</u>	<u>-</u>	<u>-</u>	<u>448,652</u>
<b>Restricted:</b>					
Food service	-	422,331	-	-	422,331
<b>Committed:</b>					
Expendable trust	1,452,473	-	-	-	1,452,473
Voted appropriation - March 2022	487,000	-	-	-	487,000
Total committed fund balance	<u>1,939,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,939,473</u>
<b>Assigned:</b>					
Encumbrances	23,172	-	-	-	23,172
TRS Corbill Family donation	5,450	-	-	-	5,450
TRS Athletics	237	-	-	-	237
Pembroke Academy donations	56	-	1,019	-	1,075
Student Activity Funds	-	-	-	233,531	233,531
Fundraising	11,046	-	-	-	11,046
Total assigned fund balance	<u>39,961</u>	<u>-</u>	<u>1,019</u>	<u>233,531</u>	<u>274,511</u>
<b>Unassigned</b>					
Total governmental fund balances	<u>\$ 2,133,772</u>	<u>\$ 459,174</u>	<u>\$ 1,019</u>	<u>\$ 233,531</u>	<u>\$ 2,827,496</u>

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

Net position/fund balance at July 1, 2022, was restated for the following:

	Governmental Activities
To restate compensated absences to actual	\$ (499,570)
Net position, as previously reported	<u>(10,216,207)</u>
Net position, as restated	<u>\$ (10,715,777)</u>

**NOTE 17 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2023, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2022 to June 30, 2023 by Primex<sup>3</sup>, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the District's property schedule on file with Primex<sup>3</sup>. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022-23 the School District paid \$80,018 and \$90,563, respectively, to Primex for workers' compensation and property/liability. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**PEMBROKE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2023**

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 18 – CONTINGENT LIABILITIES**

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

**NOTE 19 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through July 30, 2024, the date the June 30, 2023, financial statements were available to be issued, and noted no events that occurred that would require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT E**  
**PEMBROKE SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Fiscal year-end	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
School District's									
Proportion of the net pension liability	0.39%	0.38%	0.39%	0.39%	0.41%	0.39%	0.39%	0.39%	0.39%
Proportionate share of the net pension liability	\$14,591,215	\$15,196,434	\$20,776,128	\$19,351,616	\$19,761,908	\$18,879,090	\$24,773,699	\$17,429,168	\$22,393,373
Covered payroll (as of the measurement date)	\$10,674,360	\$11,026,627	\$11,188,168	\$11,517,870	\$11,484,617	\$11,308,405	\$11,233,320	\$11,612,839	\$12,103,042
Proportionate share of the net pension liability as a percentage of its covered payroll	136.69%	137.82%	185.70%	168.01%	172.07%	166.95%	220.54%	150.09%	185.02%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%

**EXHIBIT F**  
**PEMBROKE SCHOOL DISTRICT**  
*Schedule of School District Contributions - Pensions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 1,286,934	\$ 1,398,875	\$ 1,445,267	\$ 1,725,084	\$ 1,734,615	\$ 1,710,765	\$ 1,782,031	\$ 2,260,642	\$ 2,318,072
Contributions in relation to the contractually required contributions	(1,286,934)	(1,398,875)	(1,445,267)	(1,725,084)	(1,734,615)	(1,710,765)	(1,782,031)	(2,260,642)	(2,318,072)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 11,026,527	\$ 11,188,168	\$ 11,517,870	\$ 11,484,617	\$ 11,308,405	\$ 11,233,320	\$ 11,612,839	\$ 12,103,042	\$ 12,364,046
Contributions as a percentage of covered payroll	11.67%	12.50%	12.55%	15.02%	15.34%	15.23%	15.35%	18.68%	18.75%

**PEMBROKE SCHOOL DISTRICT**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2023**

***Schedule of the School District's Proportionate Share of Net Pension Liability and  
Schedule of School District Contributions – Pensions***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – Salary increases changed from 5.4% to 5.6% in the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**EXHIBIT G****PEMBROKE SCHOOL DISTRICT*****Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability******New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan******For the Fiscal Year Ended June 30, 2023******Unaudited***

Fiscal year-end	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
School District's proportion of the net OPEB liability	0.51%	0.38%	0.37%	0.39%	0.39%	0.39%
School District's proportionate share of the net OPEB liability (asset)	\$ 2,328,156	\$ 1,758,949	\$ 1,607,932	\$ 1,702,726	\$ 1,320,709	\$ 1,488,729
School District's covered payroll (as of the measurement date)	\$11,517,870	\$11,484,617	\$11,308,405	\$11,233,320	\$11,621,839	\$12,103,042
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.21%	15.32%	14.22%	15.16%	11.36%	12.30%
Plan fiduciary net position a percentage of the total OPEB liability	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

**EXHIBIT H**  
**PEMBROKE SCHOOL DISTRICT**  
*Schedule of School District Contributions - Other Postemployment Benefits*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Fiscal year-end	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 168,955	\$ 169,934	\$ 179,554	\$ 186,596	\$ 165,549	\$ 170,992
Contributions in relation to the contractually required contribution	(168,955)	(169,934)	(179,554)	(186,596)	(165,549)	(170,992)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	<u>\$ 11,484,617</u>	<u>\$ 11,308,405</u>	<u>\$ 11,233,320</u>	<u>\$ 11,621,839</u>	<u>\$ 12,103,042</u>	<u>\$ 12,364,046</u>
Contributions as a percentage of covered payroll	1.47%	1.50%	1.60%	1.61%	1.37%	1.38%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

**EXHIBIT I**  
**PEMBROKE SCHOOL DISTRICT**

*Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2023*

*Unaudited*

	June 30,					
	2018	2019	2020	2021	2022	2023
OPEB liability, beginning of year	\$ 3,564,376	\$ 3,533,679	\$ 3,624,084	\$ 2,599,149	\$ 2,580,820	\$ 2,478,708
Changes for the year:						
Service cost	149,753	148,397	162,569	116,333	121,010	93,143
Interest	128,630	137,073	128,622	57,541	55,348	87,022
Changes to benefit terms	-	-	(9,617)	-	-	-
Assumption changes and difference between actual and expected experience	(66,872)	85,193	(1,083,031)	31,446	401	(1,651,018)
Benefit payments	(242,208)	(280,258)	(223,478)	(223,649)	(278,871)	(227,184)
OPEB liability, end of year	<u>\$ 3,533,679</u>	<u>\$ 3,624,084</u>	<u>\$ 2,599,149</u>	<u>\$ 2,580,820</u>	<u>\$ 2,478,708</u>	<u>\$ 780,671</u>
Covered payroll	<u>\$11,360,482</u>	<u>\$12,558,117</u>	<u>\$11,453,422</u>	<u>\$11,620,549</u>	<u>\$11,453,422</u>	<u>\$12,976,597</u>
Total OPEB liability as a percentage of covered payroll	31.11%	28.86%	22.69%	22.21%	21.64%	6.02%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

**PEMBROKE SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –  
OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

***Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability  
And Schedule of School District Contributions – Other Postemployment Benefits***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – Salary increases changed from 5.4% to 5.6% in the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***Schedule of Changes in School District's Total Other Postemployment Benefits Liability and Related Ratios***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – The changes in assumptions for the current period were as follows:

Decrease due to change in Inflation Assumption	\$ (2,000)
Decrease due to change in Discount Rate	(4,000)
Total	<u>\$ (6,000)</u>

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2023. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***INDIVIDUAL FUND SCHEDULES***

**SCHEDULE I**  
**PEMBROKE SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2023*

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	<u>\$ 12,504,444</u>	<u>\$ 12,504,794</u>	<u>\$ 350</u>
Other local sources:			
Tuition	6,179,660	6,414,886	235,226
Investment earnings	1,500	46,054	44,554
Student activities	2,000	18,369	16,369
Miscellaneous	73,996	262,004	188,008
Total from other local sources	<u>6,257,156</u>	<u>6,741,313</u>	<u>484,157</u>
State sources:			
Adequacy aid (grant)	6,122,768	6,122,493	(275)
Adequacy aid (tax)	983,013	983,013	-
School building aid	239,313	239,313	-
Catastrophic aid	111,213	123,437	12,224
Other state aid	156,899	156,908	9
Total from state sources	<u>7,613,206</u>	<u>7,625,164</u>	<u>11,958</u>
Federal sources:			
Medicaid	5,000	18,715	13,715
Other	307,561	308,065	504
Total from federal sources	<u>312,561</u>	<u>326,780</u>	<u>14,219</u>
Other financing sources:			
Transfers in	<u>30,000</u>	<u>51,020</u>	<u>21,020</u>
Total revenues and other financing sources	<u>26,717,367</u>	<u>\$ 27,249,071</u>	<u>\$ 531,704</u>
Use of fund balance to reduce school district assessment	1,018,366		
Use of fund balance - appropriated	453,500		
Total revenues, other financing sources, and use of fund balance	<u><u>\$ 28,189,233</u></u>		

**SCHEDULE 2**  
**PEMBROKE SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2023*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 27,573	\$ 7,243,231	\$ 7,197,925	\$ -	\$ 72,879
Special programs	-	4,220,193	4,031,768	-	188,425
Vocational programs	-	721,297	796,386	-	(75,089)
Other programs	-	482,407	436,610	-	45,797
Total instruction	<u>27,573</u>	<u>12,667,128</u>	<u>12,462,689</u>	<u>-</u>	<u>232,012</u>
Support services:					
Student	-	1,252,979	1,234,360	-	18,619
Instructional staff	137,397	430,793	481,473	10,175	76,542
General administration	-	88,111	72,121	-	15,990
Executive administration	-	760,463	760,463	-	-
School administration	-	1,521,949	1,587,089	-	(65,140)
Operation and maintenance of plant	42,330	1,432,358	1,473,129	12,997	(11,438)
Student transportation	24,519	799,924	1,082,568	-	(258,125)
Other	-	7,969,589	7,636,179	-	333,410
Total support services	<u>204,246</u>	<u>14,256,166</u>	<u>14,327,382</u>	<u>23,172</u>	<u>109,858</u>
Facilities acquisition and construction	-	694,148	783,795	-	(89,647)
Other financing uses:					
Transfers out	-	571,791	483,500	-	88,291
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 231,819</u>	<u>\$ 28,189,233</u>	<u>\$ 28,057,366</u>	<u>\$ 23,172</u>	<u>\$ 340,514</u>

**SCHEDULE 3**  
**PEMBROKE SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2023*

Unassigned fund balance, beginning	\$ 235,912
<b>Changes:</b>	
Unassigned fund balance used to reduce school district assessment	(1,018,366)
Unassigned fund balance appropriated for use in 2022-2023	(453,500)
<b>2022-2023 Budget summary:</b>	
Revenue surplus (Schedule 1)	\$ 531,704
Unexpended balance of appropriations (Schedule 2)	<u>340,514</u>
<b>2022-2023 Budget surplus</b>	<b><u>872,218</u></b>
Decrease in nonspendable fund balance	139,765
Increase in committed fund balance	(33,500)
<b>Unassigned fund deficit, ending</b>	<b><u>\$ (257,471)</u></b>

**SCHEDULE 4**  
**PEMBROKE SCHOOL DISTRICT**  
*Student Activity Funds*  
*Combining Balance Sheet*  
*June 30, 2023*

	Student Activity Funds			
	Pembroke Academy	Three Rivers School	Pembroke Hill School	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 176,321	\$ 46,474	\$ 10,736	<u><u>\$ 233,531</u></u>
<b>FUND BALANCES</b>				
Assigned	<u><u>\$ 176,321</u></u>	<u><u>\$ 46,474</u></u>	<u><u>\$ 10,736</u></u>	<u><u>\$ 233,531</u></u>

**SCHEDULE 5**  
**PEMBROKE SCHOOL DISTRICT**  
**Student Activity Funds**  
*Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances*  
*For the Fiscal Year Ended June 30, 2023*

	Student Activity Funds			
	Pembroke Academy	Three Rivers School	Pembroke Hill School	Total
<b>REVENUES</b>				
Other local	<u>\$ 172,122</u>	<u>\$ 99,129</u>	<u>\$ 70</u>	<u>\$ 271,321</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	<u>153,859</u>	<u>102,027</u>	<u>-</u>	<u>255,886</u>
Net change in fund balances	<u>18,263</u>	<u>(2,898)</u>	<u>70</u>	<u>15,435</u>
Fund balances, beginning	<u>158,058</u>	<u>49,372</u>	<u>10,666</u>	<u>218,096</u>
Fund balances, ending	<u><u>\$ 176,321</u></u>	<u><u>\$ 46,474</u></u>	<u><u>\$ 10,736</u></u>	<u><u>\$ 233,531</u></u>

***INDEPENDENT AUDITOR'S REPORTS AND  
SINGLE AUDIT ACT SCHEDULES***



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

**Independent Auditor's Report**

To the Members of the School Board  
Pembroke School District  
Pembroke, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pembroke School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pembroke School District's basic financial statements, and have issued our report thereon dated July 30, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Pembroke School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pembroke School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pembroke School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01 through 2023-003 that we consider to be significant deficiencies.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Pembroke School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-004.

**Pembroke School District**

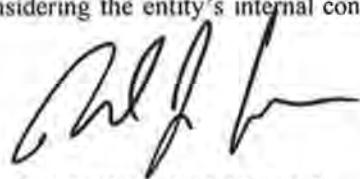
**Report on Internal Control Over Financial Reporting and on Compliance and Other Matter Based on an Audit  
Of Financial Statements Performed in Accordance With Government Auditing Standards**

**Pembroke School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Pembroke School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Pembroke School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PLODZIK & SANDERSON  
Professional Association

July 30, 2024  
Concord, New Hampshire



## **PLODZIK & SANDERSON**

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### ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

#### **Independent Auditor's Report**

To the Members of the School Board  
Pembroke School District  
Pembroke, New Hampshire

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the Pembroke School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Pembroke School District's major federal programs for the year ended June 30, 2023. The Pembroke School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Pembroke School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Pembroke School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Pembroke School District's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Pembroke School District's federal programs.

##### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Pembroke School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for

**Pembroke School District****Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Pembroke School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Pembroke School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Pembroke School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Pembroke School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Pembroke School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**SCHEDULE I**  
**PEMBROKE SCHOOL DISTRICT**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended June 30, 2023*

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
 Unmodified opinions on governmental activities, each major fund, and the aggregate remaining fund information.

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Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D/84.425U	COVID – 19 Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

***SCHEDULE I (Continued)***  
***PEMBROKE SCHOOL DISTRICT***  
***Schedule of Findings and Questioned Costs***  
***For the Year Ended June 30, 2023***

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2023-001      Review and Approval of Journal Entries (Significant Deficiency)**

**Criteria:** A proper journal entry process should consist of the following:

- An entry is created and entered by an appropriate, knowledgeable individual.
- Once entered, a second individual should formally review and approve the entry. This review and approval should be documented, either by utilizing the accounting system (electronic approval) or by printing out and signing off / dating the entry.
- All applicable support should then be attached to the entry and kept in a secured, organized manner.
- Only selected, authorized personnel should be allowed to post entries.

**Condition:** During our review of adjusting journal entries, we noted the required review process has not been consistently performed.

**Effect:** Without complete separation of duties, particularly between the approval and posting of the adjusting journal entries, transactions may be inaccurately recorded in the general ledger and not be detected.

**Cause:** Unknown.

**Identification as Repeat Finding:** As identified in Schedule III, Summary Schedule of Prior Audit Findings, this is a repeat finding of 2022-002.

**Recommendation:** We recommend that the School District adhere to a policy whereby all adjusting journal entries are reviewed and approved by the Business Administrator or another appropriate individual other than the individual responsible for posting the adjusting journal entry in the general ledger.

**Views of Responsible Officials:** Management's views and corrective action plan is included at the end of this report.

**2023-002      Segregation of Duties (Significant Deficiency)**

**Criteria:** Segregation of duties is a crucial principle in the realm of internal controls and School District governance. Its importance lies in the enhancement of operational efficiency, risk mitigation, and the prevention of fraud. Segregating duties is integral to maintaining the integrity of a School District's operations, safeguarding its assets, and ensuring compliance with legal and regulatory requirements. The absence of an effective segregation of duties hinders proper checks and balances within the financial processes. Critical financial functions, such as authorization, recording, and reconciliation, should ideally be performed by different individuals to ensure comprehensive oversight.

**Condition:** During our review of the cash receipt process, we noted that the Assistant Business Administrator is responsible for making electronic deposits, posting cash receipts to the general ledger, the overall maintenance of the general ledger including posting and approving adjusting journal entries, and has online access to the School District's bank accounts.

**Effect:** The combination of roles exposes the School District to an elevated risk of fraudulent activities, as there is insufficient separation of duties to deter and detect fraudulent transactions. This compromises the integrity of financial reporting and may lead to financial misstatements.

***SCHEDULE I (Continued)***  
***PEMBROKE SCHOOL DISTRICT***  
***Schedule of Findings and Questioned Costs***  
***For the Year Ended June 30, 2023***

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**Cause:** Unknown.

**Identification as Repeat Finding:** As identified in Schedule III, Summary Schedule of Prior Audit Findings, this is a repeat finding of 2022-003.

**Recommendation:** We recommend that the School District reevaluate the responsibilities of the Assistant Business Administrator. While we understand that a complete segregation of duties may not be possible in a small office with limited personnel, we believe that some relatively minor changes could be made that would significantly improve the controls. Some of the suggested changes include, but not limited to:

- The deposit process should be handled by another staff member of the School District.
- The Business Administrator should be reviewing and approving all journal entries.
- Bank account access should be “view-only” for the School District’s bank accounts.

**Views of Responsible Officials:** Management’s views and corrective action plan is included at the end of this report.

**2023-003**

**Online Banking Access (Significant Deficiency)**

**Criteria:** Restricting online banking access is crucial for protecting financial assets, maintaining data privacy, complying with regulations, and fostering public trust.

**Condition:** Our audit procedures revealed that individuals within the School District’s business office have online access to the operating bank account.

**Effect:** Although the need for such access and the convenience it offers is understood, it should be noted that such access permissions are frequently bundled with other features, including, but not limited to the ability to transfer funds to other accounts as well as issuing debit cards to those who have access authorization.

**Cause:** Unknown.

**Identification as Repeat Finding:** As identified in Schedule III, Summary Schedule of Prior Audit Findings, this is a repeat finding of 2022-004.

**Recommendation:** We recommend the School District limit the business office’s online access to “view only” and that only the District Treasurer and Deputy Treasurer be given full online access to the bank accounts.

**Views of Responsible Officials:** Management’s views and corrective action plan is included at the end of this report.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2023-004**

**Excess Food Service Fund Balance (Material Weakness)**

**Federal Agency:** U.S. Department of Agriculture

**Pass-through Agency:** New Hampshire Department of Education

**Cluster/Program:** Child Nutrition Cluster

**Assistance Listing Numbers:** 10.553 & 10.555

**Passed-through Identification:** N/A

***SCHEDULE I (Continued)***  
***PEMBROKE SCHOOL DISTRICT***  
***Schedule of Findings and Questioned Costs***  
***For the Year Ended June 30, 2023***

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**Compliance Requirement: Special Tests and Provisions**

**Type of Finding:**

Internal Control over Compliance – Material Weakness  
Material Noncompliance

**Criteria or Specific Requirement:** Federal regulations 2 CFR 200.303 states, the School District, as a recipient of Federal funds, must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, under 7 CFR, 210.14(b), *Net Cash Resources*, “the school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service.”

**Condition:** During review of the food service unassigned fund balance, it was noted that the balance exceeded three months' average expenditures. The fund balance in the food service fund amounted to \$426,493 whereas three months' average expenditures is \$170,405. This generates excess fund balance of \$256,088.

**Effect:** The District is not in compliance with CFR Title 7, 210.14(b) by maintaining fund balance more than three months average expenditures.

**Cause:** Lack of administrative oversight.

**Questioned Costs:** \$256,088.

**Identification as Repeat Finding:** As identified in Schedule III, Summary Schedule of Prior Audit Findings, this is a repeat finding of 2022-006.

**Recommendation:** We recommend that the School District take immediate steps to reduce its net cash resources by having an acceptable, approved plan for using surplus fund balance. Since program funds must be used only for program purposes, excess fund balance must be reduced by improving the quality of food served or purchasing needed supplies, services, or equipment unless otherwise directed by the State of New Hampshire Department of Education.

**Views of Responsible Officials:** Management's views and corrective action plan is included at the end of this report.

**SCHEDULE II**  
**Pembroke School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through the State of New Hampshire				
Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 37,758
National School Lunch Program	10.555	N/A	-	256,820
COVID-19 - National School Lunch Program	10.555	N/A	-	12,282
Fresh Fruit and Vegetable Program	10.582	N/A	-	16,177
<i>CLUSTER TOTAL</i>				<i>323,037</i>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through the State of New Hampshire				
Department of Education				
Title I Grants to Local Educational Agencies:				
Title I	84.010	20220142	-	82,827
Title I	84.010	20220999	-	50,339
Title I	84.010	20230083	-	299,058
<i>PROGRAM TOTAL</i>				<i>432,224</i>
SPECIAL EDUCATION CLUSTER				
Special Education Grants to States:				
IDEA	84.027	20220915	-	2,015
IDEA	84.027	20230594	-	295,113
COVID-19 - ARP - IDEA	84.027X	20221079	-	14,771
Special Education Preschool Grants:				
Preschool	84.173	20230594	-	10,937
<i>CLUSTER TOTAL</i>				<i>322,836</i>
Supporting Effective Instruction State Grants:				
Title II	84.367	20211563	-	472
Title II	84.367	20200328	-	812
Title II	84.367	20220385	-	14,072
Title II	84.367	20230195	-	26,307
<i>PROGRAM TOTAL</i>				<i>41,663</i>
Student Support and Academic Enrichment Program:				
Title IV	84.424	20220804	-	3,265
Title IV	84.424	20211603	-	10,967
<i>PROGRAM TOTAL</i>				<i>14,232</i>
COVID-19 - Education Stabilization Fund:				
ESSER I	84.425D	20204815	-	40,058
ESSER II	84.425D	20211531	-	102,478
ESSER III	84.425U	20221090	-	1,139,868
ARP - Homeless Children and Youth Grant	84.425W	20221316	-	10,064
<i>PROGRAM TOTAL</i>				<i>1,292,468</i>
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 2,426,460</b>

The accompanying notes are an integral part of this schedule.

***SCHEDULE III***  
***PEMBROKE SCHOOL DISTRICT***  
***Summary Schedule of Prior Audit Findings***  
***For the Year Ended June 30, 2023***

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**FINANCIAL STATEMENT FINDINGS**

**2022-001** **Timely Reconciliations of Accounts (Significant Deficiency)**

**Status:** Resolved.

**2022-002** **Review and Approval of Journal Entries (Significant Deficiency)**

**Status:** Uncorrected. During the review of adjusting journal entries for fiscal year 2023, entries are not being reviewed or formally approved prior to posting to the general ledger. This comment will be repeated as a significant deficiency in the current year's audit, see Schedule of Findings and Questioned Costs, item 2023-001.

**2022-003** **Segregation of Duties (Significant Deficiency)**

**Status:** Uncorrected. During our review of the cash receipt process, we noted that the Assistant Business Administrator is responsible for making electronic deposits, posting cash receipts to the general ledger, the overall maintenance of the general ledger including posting and approving adjusting journal entries, and has online access to the School District's bank accounts, see Schedule of Findings and Questioned Costs, item 2023-002.

**2022-004** **Online Banking Access (Significant Deficiency)**

**Status:** Uncorrected. During our review of cash we noted that individuals within the School District's business office have online access to the operating bank account, see Schedule of Findings and Questioned Costs, item 2023-003.

**2022-005** **Cross Training of Staff and Review of Responsibilities (Significant Deficiency)**

**Status:** Resolved.

**FEDERAL AWARDS FINDINGS**

**2022-006** **Food Service Fund – Excessive Fund Balance (Material Weakness)**

**Status:** Uncorrected. During our review of the food service fund we noted that it had \$256,088 in excessive fund balance at fiscal year-end, see Schedule of Findings and Questioned Costs, item 2023-004.

**PEMBROKE SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Pembroke School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Pembroke School District, it is not intended to and does not present the financial position and changes in net position/fund balance of the Pembroke School District.

***Note 2. Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

***Note 3. Indirect Cost Rate***

The Pembroke School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Note 4. Food Donation***

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2023, the value of food donations received was \$50,297.

*APPENDIX*

## **NEW HAMPSHIRE SCHOOL ADMINISTRATIVE UNIT NO. 53**

267 PEMBROKE STREET  
PEMBROKE, NEW HAMPSHIRE 03275  
TELEPHONE: (603) 485-5187

*Jack Finley, Superintendent  
Allenstown, Chichester, Epsom*

*FAX: 603) 485-9529*

*Patty Sherman, Superintendent  
Deerfield, Pembroke, SAU*

*Jessica Bickford, Asst. Superintendent of Student Services  
Joshua Berube, Technology Director  
Amber Wheeler, Business Administrator*

### **CORRECTIVE ACTION PLAN**

**June 30, 2023**

#### **Audit Finding Reference:**

2023-001 : Review and Approval of Journal Entries

*Management agrees it was a challenging time for the district as it experienced several staff turnovers and illnesses. The turnover and illness presented the inability to segregate out duties as the district typically would. The District currently has new measures in place and reorg of the Business Office will help to strengthen what is already in place.*

We have already created a new chart of approvals. The procedure will be included in the Business Office Handbook.

#### **Name of Contact Person and Completion Date:**

Name 1 Amber Wheeler

Name 2 Danielle Rossetti

Anticipated Completion Date – Approvals are currently being completed utilizing segregation of duties – written procedure for handbook will be completed by August 2024

#### **Audit Finding Reference:**

2023-002 Segregation of Duties

#### **Management's View and Planned Corrective Action:**

*Management agrees that these procedures needed to be modified in regards to making deposits and changes have been made. The School District has created additional internal controls be sure that segregation of duties is stronger in this area. The Business Administrator will conduct another review of the bank account access and changes will be made where necessary. Moving forward journal entries may only be approved by the Business Administrator or Designee. We have hired an additional accountant that will add an additional level of segregation. This will be outlined in our handbook.*

#### **Name of Contact Person and Completion Date:**

Name 1 Amber Wheeler

Name 2 Danielle Rossetti

Anticipated Completion Date – Duties have already been realigned, written procedure for handbook will be completed by August 2024

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**Audit Finding Reference:**

2023-003 Online Banking Access

**Management's View and Planned Corrective Action:**

*Management has reviewed the bank account access and will conduct another review.*

**Name of Contact Person and Completion Date:**

Name 1 Amber Wheeler

Name 2 Danielle Rossetti

Anticipated Completion Date – Has been completed

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**Audit Finding Reference:**

2023-004 Excess Food Service Fund Balance

**Management's View and Planned Corrective Action:**

*Management agrees that the Food Service Fund Balance needs to be reduced. The Department of Education in FY2023 they did not require a spend down plan for the application. With that said we currently have a spend down plan in place to reduce the fund balance to a more appropriate fund balance and to meet the regulation. The spend down plan was submitted in March 2024.*

**Name of Contact Person and Completion Date:**

Name 1 Amber Wheeler

Name 2 Danielle Rossetti

Anticipated Completion Date – December 31, 2024

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